

MINUTES

MONTANA SENATE 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN TOM ZOOK**, on February 10, 2003 at 5:00 P.M., in Room 303 Capitol.

ROLL CALL

Members Present:

Sen. Tom Zook, Chairman (R)
Sen. Bill Tash, Vice Chairman (R)
Sen. Keith Bales (R)
Sen. Gregory D. Barkus (R)
Sen. Edward Butcher (R)
Sen. John Cobb (R)
Sen. Mike Cooney (D)
Sen. John Esp (R)
Sen. Royal Johnson (R)
Sen. Bob Keenan (R)
Sen. Rick Laible (R)
Sen. Bea McCarthy (D)
Sen. Linda Nelson (D)
Sen. Trudi Schmidt (D)
Sen. Debbie Shea (D)
Sen. Corey Stapleton (R)
Sen. Emily Stonington (D)
Sen. Jon Tester (D)
Sen. Joseph (Joe) Tropila (D)

Members Excused: None.

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 261, 1/31/2003; HB 217,
1/31/2003; SB 314, 2/1/2003
Executive Action: None

HEARING ON HB 261

Sponsor: REP. DICK HAINES, HD 63, Missoula

Proponents: Dean Roberts, Administrator Motor Vehicle
Division, Department of Justice
Steve, Tesinsky, Information Technology,
Department of Justice
Larry Fasbender, Department of Justice
Rhonda Carpenter, Montana County Treasurer's
Association
Steve Turkiewicz, Montana Automobile Dealers
Association
Bob Pyfer, Montana Credit Union Network
Jim Robinson, Independent Auto Dealers Association

Informational Witnesses: Brian Wolf, Chief Information Officer

Opponents: None

Opening Statement by Sponsor:

REP. DICK HAINES, HD 63, Missoula, opened on HB 261. He advised the objective of HB 577 from last session was to begin the design and eventual implementation of a modern system of registering and titling vehicles in Montana. The present system is outmoded, inefficient, costly and on the verge of collapse, he held. The plan for a \$20 million project was reduced to \$4.5 million to get things started. An additional \$18 million is needed to finish the job. The proposal allows the **Department of Justice** to borrow up to \$22.5 million from the **Board of Investments**. The \$22.5 million includes the \$18 million in addition to the \$4.5 million from HB 577. The plan is to pay the loan back in ten years with a \$5 fee on each title. The motor vehicle people handle over 400,000 titles per year and that would allow for about \$2.4 million each year for ten years. The bill also allows the **Board of Investment** to undertake up to \$100 million in loans. They currently have a cap of \$80 million and in order to provide the \$22.5 million, the cap needs to be raised. Of the \$4.5 million the department had the authority to borrow under HB 577, so far they've only used \$1.75 million. The money will not be borrowed in one lump sum but would be borrowed as needed. Some of the payback fees will hold down the rate of borrowing. The process to date has been very conservative and deliberate. No computer programs have been written, contracted or designed. The process has been monitored as closely as possible by an oversight committee; the committee included REP. HAINES, REP. JOHN WITT, SEN. JOHN TESTER and SEN. DEBBIE SHEA, a representative of the

Montana Auto Dealers Association, the Montana Credit Union Association, the Montana Bankers Association, Montana Association of Counties, Montana County Treasurer's Association and Montana Motor Carrier's Association. Also included were representatives from law enforcement, the **Motor Vehicle Bureau and Information Technology.** He advised it was not possible to use a system from other states, as those systems are based on current law in those states. Further development has stopped due to concern about having two systems if funding is not granted--the old system for vehicle registration and a new system for titles. An extensive analysis has been undertaken with documentation on each county. Enough changes have already been implemented that the **Motor Vehicle Bureau** has gone from a forty-day turnaround to a ten-day turnaround and there has been a reduction of seven FTEs. One of the biggest hurdles was not going into software development until an "as is" and a "to be" analysis was done. He advised that was critical and why a number of other systems in state government have crashed or had problems. The **Motor Vehicle Bureau** deals with three million residents per year for titles, registration and driver's licenses, regulates auto dealers and provides a service for Montana's citizens. He reasoned the system was needed or otherwise there would be serious troubles--it is a pay now or pay later situation.

Proponents' Testimony:

Dean Roberts, Administrator Motor Vehicle Division, Department of Justice, acknowledged asking for \$18 million for a new computer system, in light of what had happened in the last few years with other major computer systems, is a trust issue. He had asked for \$20 million in the last session and was given \$4.5 million to see if they could perform. \$1.7 million was spent leading to a computer system they are ready to implement. He said it wasn't fair to build a system for titling and leave registration and driver licensing so state and county employees would have to use two different computer systems. The system at the title registration bureau was about 50 days backlogged and they now turn a title around in two days. They have done their homework, worked hard and now need the money to complete this project--not only for titling but also registration. It will be a great advantage and critically important to the taxpayers and businesses of Montana, he advised. He asked for support for HB 261.

Steve, Tesinsky, Information Technology, Department of Justice, stood in support of HB 261 and felt good about the progress made with HB 577. Many practices were instituted that would be continued. The **Department of Justice** is managing the project of HB 577 and did not turn it over to a vendor. They are expecting

to use as many different vendors as it takes to complete the motor vehicle titling system by matching vendors with specific skills to specific needs of the project rather than hiring one vendor at a fixed price. Additionally, the **Department of Administration Information Technology Services Division** provided the ability to obtain vendor services at a time and materials cost. Vendors can be fired at any time. They are looking at what other states have done and solutions the state can use. HB 261 will provide the registration system in addition to the titling system already begun and will hook up the driver license system with the registration system--a major step forward for public safety, he contended. Currently registration and driver license systems do not communicate because they are older technology and were developed separately. Both those systems would be upgraded and made to work together so when an officer walks up to the window of a vehicle, he has already run not only the plate but has a good idea of who's driving the car. They have earmarked 10% of the money used to implement HB 577 for post implementation support fixing defects, making upgrades, continuing training and for turning system responsibilities over to state staff. They will continue to use the same practice for HB 261. They expect to continue with the titling project and resume the computer portion. They suspended work on the computer process, as mentioned, because they did not want to maintain an old and new system for longer than necessary. If HB 261 is passed, the registration portion will be combined with the titling portion to save time and money. They have used proven practices, observed lessons learned from other states and developed solid practices in the last two years and will use those to make HB 261 a success.

Larry Fasbender, Department of Justice, distributed amendments **EXHIBIT (fcs29a01)** to the legislation and a draft fiscal note **EXHIBIT (fcs29a02)** that reflects the amendments. The amendments reflect charging for some of the titles currently being issued for which no fees are being charged. In addition, the effective date in the original bill was wrong and has been changed from January of 2004 to July 1, 2003 which affects the fiscal note. There was a technical note on the original fiscal note from the **Department of Revenue** that indicated a concern with how the funds would be collected and transferred because of 124 and they are still working with the department to try to correct the complicated process and simplify it so the money would be transferred to the state special revenue account. If the bill is passed, they will go to the **Board of Investments** to borrow the money. Additionally, prior to the session they met with the **Office of Budget and Program Planning** to work out a way to fund the program. The Governor approved the \$5 fee on all titles and a \$10 fee on some titles that currently have no fee. The length

of the amendments are due to sunset provisions, he explained. The bill terminates in 10 years.

Rhonda Carpenter, Montana County Treasurer's Association, advised the public employees who work in county treasurer offices have a tough job with no real say on how much taxes are levied but it's their job every day to stand face to face with the taxpayers and make the taxpaying experience customer friendly and enjoyable. Those employees really want this computer system. The people who come in every day are used to dealing with private sector computerized system and online banking. They want the same level of service as they get at **Target** when they're trying to return something. The computer systems don't compete with what people are used to in customer service. The county treasurer's asked for modernization of their offices by passage of HB 261.

Steve Turkiewicz, Montana Automobile Dealers Association, testified he served on the HB 577 committee from its inception through today. The deliberate and thoughtful direction the department has been going will minimize problems. The current system was built in the 1970's and uses microfiche and microfilm for archival; parts are not available and the machine is not made any more and the system may crash. The title registration bureau has made a significant effort to streamline their operations with the services and computer system they have but they want a 21st century system to allow taxpayers access in newer ways. He stated the association was not happy with the funding mechanism but felt Montana drivers paid for the system and are paying for it every year. The amount of money that is paid for in title registration fees that goes to the general fund would more than pay for the system, but the reality of the fiscal situation in the state precludes using that. He advised they support the bill and the title registration fee and urged support.

Bob Pyfer, Senior Vice President and General Counsel, Montana Credit Union Network, advised credit unions are not for profit member owned cooperatives without capital stockholders and are run by volunteer boards and committees elected by and from the membership. To remain in business and continue to serve their members, they have to be able to collect on their loans. Motor vehicles have always been a big part of credit union lending. Delays in the lien filing process have caused operational problems and even losses for credit unions, he recalled. He advised he had been a member of the advisory committee and was very impressed with the level of methodology and professionalism the **Motor Vehicle Division** and the **Department of Justice** have exercised in this project. There have been major improvements made through the process and he looked forward to a quick turn around time and ultimately to electronic real time filing which

is down the road and part of the overall project. He urged the bill be concurred in.

Jim Robinson, Executive Director, Independent Auto Dealers

Association, addressed the bill from a business and consumer standpoint. He represents 670 small businesses in Montana and the prospects of being able to deal with an electronic title and everything done electronically is extremely exciting for the members of the association. The prospect of being able to sit in an office dealing with a customer and input all the information from a car transaction onto a computer screen and have it hooked into the county treasurers office and the title registration bureau in Deer Lodge would be phenomenal, he advised. **{Tape: 1; Side: B}** Not many consumers or dealers were happy with waiting six to twelve weeks for a title. Since HB 577, the difference is so noticeable, he thought the public is in shock. The improvements are overwhelming and unbelievable. If they had the equipment to go with the hard work being done at the department in Deer Lodge, the results would be phenomenal.

Informational Witnesses:

Brian Wolf, Chief Information Officer, testified he became involved in the project shortly after coming to the state of Montana in October of 2001. A representative from the **Information Technology Services Division** was part of the oversight and governance group prior to **Mr. Wolf** coming to the state. **Mr. Wolf** met with the **Department of Justice** staff on the project and advised they had implemented strong project methodology and everything he would have expected to be done in a project of this nature. Strong business practice changes have been implemented that have resulted in value prior to any development of information technology. In addition, they have included a number of strong project management disciplines including a project management office and strong documentation. A detailed project plan would be required including the appropriate review dates with oversight by the **IT Division**. He had full commitment from the **Department of Justice** that was the type of project plan they would cooperate on. His department has provided contract vehicles so the project can be prime contracted by the **Department of Justice** and the skill sets can be brought in appropriate to a particular circumstance in the project including quality assurance and independent validation and verification.

EXHIBIT (fcs29a03)

Opponents' Testimony: None.

Questions from Committee Members and Responses:

VICE-CHAIRMAN TASH described riding with a Highway Patrolman making several traffic stops and the information from **NCIC** seemed to be readily available for driver identification. He asked how the new system improves on that and if it still uses the **NCIC** information.

Mr. Tesinsky advised the system would bring it back home to Montana. **NCIC** is only used for driver information and that would still be available through the use of the state's criminal justice information network. In order to know who may be driving the car, tying the license plate with the owner and with the owner's driver license number is critical in order to do that. An **NCIC** check could be run without physically seeing the driver's license.

SEN. JOE TROPILA asked how much was in the support fund.

Mr. Tesinsky replied the fund was the earmarked 10% of the \$450,000 from HB 577.

SEN. TROPILA asked how much was needed to complete the project.

Mr. Tesinsky advised an additional \$7.75 million for the registration project and another 10.25 million to do the driver license.

SEN. TROPILA stated he was referring to the support fund.

Mr. Tesinsky advised they were earmarking 10% for the support fund which would be \$1.8 million.

SEN. ROYAL JOHNSON asked if the blue copy of the bill was passed forth from the **Department of Justice** as indicated on the amendments copy.

Mr. Fasbender advised the blue copy is the 3rd Reading of the bill as it came out of the House and that is the bill as it was introduced. The amendments the department offered would be amendments to the blue copy.

SEN. JOHNSON asked if the first bill was at the request of the **Department of Justice** or just the thought process of **REP. HAINES**.

Mr. Fasbender affirmed it was at the request of the **Department of Justice**. They drafted the original piece of legislation and based on information extracted from their computer system and the SABHR system, they did an estimate of the amount of money it would generate. After further work on the numbers, additional

money coded to the SABHR system that they were not aware of so the numbers were short the first time. For that reason, they looked at the legislation and titles to which they were applying fees and determined there were a number of them not being charged a fee for being issued and reissues for some duplicates. That has been addressed with the amendments in order to make sure the \$2.4 million would still be raised by the legislation. The \$2.4 million is necessary to cover the debt service should the rate at the **Board of Investments** reach about 5%. It is substantially below that right now and will probably stay low for some time. They wanted to make sure the funding was adequate in order to cover the debt service on the \$18 million loan.

SEN. JOHNSON asked about striking Section I of the bill, but not Section II which has an amount of money on line 22 for \$22 million worth of borrowing. He asked how the amendments fit in with that situation and if they were going to borrow about \$22.5 million.

Mr. Fasbender replied they have already been authorized to borrow \$4.5 million through HB 577 from last session. They are anticipating another \$18 million for a total of \$22.5 million authorization to borrow from the **Board of Investments**. The way the HB 124 was set up, money collected at the county level actually went into the general fund and was redistributed from the general fund back to the state special revenue account. Following the methodology set up in HB 124 complicates the matter and actually uses counts that are a year old. From those year old counts, money is transferred into the state special revenue account. He thought in order to manage the funding it would be better to have the money go directly into the state special revenue account. Section I dealt with that part but not completely which was why there was a technical note from the **Department of Revenue**. Section I was struck so the money would be deposited directly into the state special revenue account to fund the debt service for the loan. It also gives the department authority, if more money is built up in that account than is necessary to cover debt service, to use cash to avoid borrowing additional funds. They are still limited to the \$18 million for the project, but would be able to determine and manage cash flow, and if it looks like there is potential to not have to borrow the \$18 million, they would use cash instead of borrowing in order to do the project.

SEN. JOHNSON asked if they would circumvent HB 124 and have the county send the money directly to the state special revenue account.

Mr. Fasbender said he wouldn't call it circumvent, they just think that is a simpler process than using the process under HB 124 which complicates the matter. The money would go directly into the state special revenue account exactly as its being done with 577 right now.

SEN. GREGORY BARKUS inquired if they can stay within the budget by using contracted services.

Mr. Wolf thought by serving as the prime contractor, the **Department of Justice** has represented fiscal prudence. He expressed confidence in those managing the project and especially in **Mr. Tesinsky**.

SEN. BARKUS asked if the county assessors are involved.

Mr. Roberts advised assessors are not in the process at all.

Closing by Sponsor:

REP. HAINES advised the changes and improvements so far show what happens when employees get enthusiastic about something and cited the employees at Deer Lodge. He wished the process used could be applied to other units of state government. He reiterated they looked at other states and did not find something they could directly use. The system must be changed before it collapses and the use of a microfilming process was ludicrous for this day and age, he held. The bill will allow the borrowing of needed funds and an increase in filing costs to pay back the loans. There is no general fund impact.

HEARING ON HB 217

Sponsor: REP. JOHN BRUEGGEMAN, HD 74, Polson

Proponents: Dave Galt, Department of Transportation

Opponents: None

Opening Statement by Sponsor:

REP. JOHN BRUEGGEMAN, HD 74, Polson, advised the bill was at the request of the **Office of Budget and Program Planning** and eliminates the general fund transfer to the **Department of Transportation** that comes from different fees that are collected through the department and there is a \$6 million savings to the general fund.

Proponents' Testimony:

Dave Galt, Department of Transportation, advised the injection into the Highway Trust Fund, a result of HB 124 in the last legislature, was in order to assure the fund was solvent and came out of the general fund. He testified the **DOT** budget can handle the loss of the revenue for FY2004 and 2005 without jeopardizing the Highway Trust Fund.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. RICK LAIBLE asked if the transfer of \$2.9 million to the general fund affected any matching federal funds.

Mr. Galt replied about \$2.9 million would be transferred each year of the biennium and does not affect any matching funds.

Closing by Sponsor:

REP. BRUEGGEMAN closed on the bill.

HEARING ON SB 314

Sponsor: **SEN. BEA MCCARTHY, SD 29, ANACONDA**

Proponents: **Tom Ebzery, St. James Hospital**
Mike Foster, St. Vincent Health Care
Steve Yeakel, Montana Council for Maternal and Child Health
Betty Beverly, Executive Director Montana Senior Citizen's Association
Betty Whiting, Montana Association of Churches
Sami Butler, Montana Nurses Association
Linda Gryczan, Montana Womens Lobby
Lanie Candelora, Montana Catholic Conference
Jani McCall, Deaconess Billings Clinic
Gordon Morris, Montana Association of Counties
John Flink, Montana Hospital Association
Pat Melby, Montana Medical Association
Claudia Clifford, Insurance Commissioner's Office
Tanya Ask, Blue Cross and Blue Shield of Montana

Opponents: **SEN. JOHN ESP, SD 13, Big Timber**

Opening Statement by Sponsor:

SEN. BEA MCCARTHY, SD 29, ANACONDA, advised the bill increases the eligibility for the **Children's Health Insurance Program (CHIP)**. **CHIP** is a low cost private health insurance plan that provides health insurance coverage to eligible Montana children under the age of 19. Financial eligibility is based on a family's gross income and there are no asset or resource tests and the program benefits about 9540 Montana children. The bill expands the eligibility of **CHIP** so that more Montana children will potentially be able to have health care coverage. The extent of the program is determined by the level of funding authorized by the legislature. Passage of the bill will provide **DPHHS** with the ability to raise the income level for eligibility purposes if additional funding becomes available. There is a potential to obtain grants and access other sources of funding, such as corporate donations, for **CHIP**. She hoped the bill would encourage people to contribute to the program. She contended the bill was important to address the uninsured in Montana. The fiscal note estimates there are 13,500 uninsured children in Montana at 200% of poverty and she hoped for support for the bill in order to help Montana's children have improved access to quality health care.

Proponents' Testimony:

Tom Ebzery, St. James Hospital, advised eligibility was raised in the last legislature but unfortunately fell back to 150% although money became available to bring it up to 175% of poverty. The legislature did not go back when the Governor found some more money. He thought the issue should be considered and given the eight to two match with the federal government, it is something funds could be shifted around for. The fiscal note was not signed by **SEN. MCCARTHY**, he advised, because some of the assumptions are thought to be incorrect. He did not think there would be near that impact and 8 FTEs would not be needed to manage the program. He hoped to keep the bill alive and stated it was for a good cause.

Mike Foster, St. Vincent Health Care, St. James Health Care, and Holy Rosary Health Care, testified the three Sisters of Charity Hospitals are very concerned about the uninsured in Montana, especially children. Statistics about uninsured children in Montana are very alarming and it is fortunate **CHIP** exists to provide eligible children with access to health care. SB 314 increases eligibility so that if more money becomes available to fund the program from whatever source then more Montana children will have easier access to health care. For every twenty cents the state provides the **CHIP** program, the feds will match with 80 cents. The technical notes say, "SB 314 as written provides no state funds to add children to **CHIP**. The increase in the poverty

level to 200% is discretionary based on availability of state matching funds. If the bill is passed as written, the department will not increase the poverty level beyond 150% unless state matching funds become available. Federal law prohibits enrolling higher income children in **CHIP** ahead of lower income children." He contended the bill will help to reduce the number of uninsured children in Montana and he hoped for a vote to approve the bill. He passed out a map that shows by county how many children are enrolled in the program. EXHIBIT (3)

Steve Yeakel, Montana Council for Maternal and Child Health, commented that between mid-November and mid-December they visited 19 communities across the state and spoke with about 500 Montanans about issues affecting children and families. He reported whether it was mental health, child and family services or child care, every community and discipline spoke well of the **CHIP** program. Support has come from across Montana's provider community for **CHIP** as a strong program. He didn't know of many major programs with an 80-20 match from the federal government. Given the success of the program nationally, it would be difficult to imagine that sometime in the future the feds would decide to go back on their commitment to the states. While that was a consideration when **CHIP** was first worked on years ago, it is not an immediate consideration for the coming biennium. He cited the recently completed legislative audit on **CHIP** which validates the hopes people had, lays aside concerns and clearly states that **CHIP** is well managed. **CHIP** provides quality services in an efficient manner, he declared. {Tape: 2; Side: A} It is a private insurance product, not an entitlement and cannot grow beyond the bounds to which it is appropriated. He asked for serious consideration of the bill.

Betty Beverly, Executive Director Montana Senior Citizen's Association, rose in support of the bill. Seniors are interested because they have children, grandchildren and great grandchildren. She advised Vermont uses 300% of poverty for their **CHIP** program and are insuring children up to 21 years of age; other states are looking at expanding the program for the uninsured. Ranchers can afford to insure their help, but not families and she encouraged expanding the program to 200% of poverty. A proven track record is something on which to base going forward and this is the time to move forward, she held.

Betty Whiting, Montana Association of Churches, strongly supported SB 314 and believed children are our most precious resource. Of particular concern are low income families losing a number of other support systems in the budget this year such as **Big Brothers, Big Sisters** and \$20 million in reductions in child

care. She felt we need to do what we can and with the federal match, this is something families could use.

Sami Butler, Montana Nurses Association, testified increasing eligibility for **CHIP** is essential in Montana where 25% of the children under five are living in poverty and 19% of children under 19 are living in poverty. Montana ranks 38th among the states in percentage of children born into poverty and 18.9% of children under 19 are without health insurance. Montana ranks 47th among states in percentage of uninsured children. She advised that health risks unaddressed due to poverty or lack of insurance directly impact the future by increasing the cost of health care later on in life. Lack of preventative care also poses the potential for increased educational costs as well as decreased opportunities for future employment. She advocated protecting all Montana children and providing health insurance is one of the ways to do that. **EXHIBIT(fcs29a04)**

Linda Gryczan, Montana Womens Lobby, advised they had lobbied in support of **CHIP** and were in support of raising eligibility to 200% of poverty. When she talks to low income advocates, they say this is one program that helps more than anything else--getting health care for kids. These are families that don't qualify for Medicaid and are out on a limb if kids get hurt or sick. She cited the four to one match and testified she is working very hard to raise the money. The Fair Share Group, a coalition of people working to look at taxation in Montana, supports raising tobacco taxes to cover health care. She addressed the concern about low income people being disproportionately taxed because they tend to smoke more. Low income advocates say those folks benefit from the program and are willing to pay the taxes. She urged support for the bill.

Lanie Candelora, Montana Catholic Conference, endorsed the increase in eligibility for **CHIP** because it strengthens families and protects vulnerable children. **EXHIBIT(fcs29a05)**

Jani McCall, Deaconess Billings Clinic, and Montana Children's Initiative, advised increasing eligibility for **CHIP** to 200% of poverty level is probably one of the most cost effective preventive measures the state can make. The current match of 19% for the state and 81% for federal is remarkable and the state should be taking advantage of it. Based on the deficit, the number of children eligible for the program has been decreased from 9700 to 9350 leaving 350 kids without insurance benefits. Based on the legislative audit report, the general fund was reduced by \$220,000 and federal funds were lost in the amount of \$937,900. She divided \$220,000 by the 350 children and determined health insurance benefits for each child was \$628 per

year--just over \$50 a month--an incredible bargain for preventive care, she reasoned. She stated strong support for the bill.

Gordon Morris, Montana Association of Counties, advised the counties support SB 314 and thanked the sponsor for bringing the bill.

John Flink, Montana Hospital Association, strongly supported the bill and advised there is a demonstrated need for health care coverage for children and **CHIP** has been a very effective way to help meet that need. The bill merely authorizes the state to expand coverage under the **CHIP** program if the money becomes available in the future, he stated.

Pat Melby, Montana Medical Association, supported SB 314 for the reasons already stated and requested a due pass recommendation from the committee. He felt it makes good sense to expand this successful and economical program to other children in the state.

Claudia Clifford, Insurance Commissioner's Office, testified the **Insurance Commissioner** thinks the bill makes a lot of sense--it doesn't mandate the expansion of the **CHIP** program but does allow the department to expand the eligibility in increments according to available funding. It has been a popular program, she held. The **Insurance Commissioner** held eight roundtable discussions last year about the uninsured and one of the most popular suggestions was to expand the **CHIP** program. An interim committee on health care looked at the uninsured numbers and strategies to expand coverage and they ended their meetings by highly recommending expanding the **CHIP** program if possible.

Tanya Ask, Blue Cross and Blue Shield of Montana, added their support to the bill. She advised the key is flexibility and being able to provide more benefits for more children using the federal match as state funds become available.

Opponents' Testimony:

SEN. JOHN ESP opposed the bill and stated he was opposed to it in the last session. He agreed **CHIP** is an effective program but is for low income folks and the proposal includes not so low income folks. Under present law, capped at 150%, a family of four with two kids making up to \$34,830 a year qualifies for the program. The bill would raise that number to \$43,880, potentially, to still qualify for low income health insurance. That may not be one of the priorities of this legislature, he contended, when there are folks needing medicine for mental health problems and a host of other things that are truly low income problems. He thought resources should not be diverted to serve folks that were

not, in his opinion, low income. He thought payments to the child care folks might be a better use of funds. He contacted the **CHIP** program several times during the last year and rarely if ever does a child have to wait more than a month for coverage. Although the bill doesn't mandate coverage, he felt it would be built into the base as a present law requirement to fund in the next session if passed.

Questions from Committee Members and Responses:

SEN. COREY STAPLETON asked if the fiscal note was correct with approximately \$2 million in 2004 and \$4 million in 2005.

SEN. MCCARTHY advised it would depend on what the legislature finds available and would go up as it finds it.

SEN. STAPLETON stated there were about 350 adults, children over 18, in the program and asked if she would be opposed to limiting the program only to children.

SEN. MCCARTHY advised her only concern is a conflict with the federal law. She would have no objections to his suggestion if it's in compliance with the federal law.

SEN. STAPLETON asked **Mary Noel, DPHHS**, if there was any problem with limiting the children's health program only to children.

Ms. Noel advised he could designate whatever ages he wanted to serve; the department can't, but the legislature can.

SEN. JOHNSON asked how many children are on the waiting list continually.

Ms. Noel explained the amount of children on the waiting list varies. They enroll children on the first of each month. Children on the top of the waiting list are enrolled and they continue to process applications all month, so the waiting list grows by the end of the month--around 300 to 400 at the beginning of the month up to between 700 and 800 at the end of the month. The wait is between two and two and one-half months.

SEN. JOHNSON asked about raising the limit when there is that kind of demand that can't be handled.

Ms. Noel advised it was up to the legislature to decide. She believed it was an extremely valuable program to help children and disagreed with **SEN. ESP** because 200% of poverty is still very low income. Physicians say children are coming to see them when they're healthier and they're not seeing them in emergency rooms.

She thought there were a lot of good reasons to raise the eligibility limit and a lot to not raise it.

SEN. JOHNSON asked why raise it if 300-700 children are applying during a month.

Ms. Noel advised the department wouldn't raise the eligibility limit unless they have the funds to do so. She estimated there were probably at least another 2000 children at the 150% of poverty level and until they can get all of those children insured, they wouldn't raise it at all and are prohibited from insuring higher income children before they insure the lower income children by federal law.

CHAIRMAN ZOOK asked about the income figure for 200% of poverty and if it was the \$43,000 that **SEN. ESP** mentioned.

Ms. Noel clarified that was for a family of six.

CHAIRMAN ZOOK asked **SEN. ESP** if he agreed with that.

SEN. ESP explained the federal poverty level for a family of four is \$36,200. Depending on the age of the kids and if there are child care expenses, up to \$200 per month per child can be written off for daycare and other childcare expenses and up to \$120 a month for each parent that is working. Depending on the family, they can make up to \$43,880 and still qualify.

SEN. BALES asked about children up the scale on the poverty level and at what point we are now.

Ms. Noel advised that **CHIP** can insure children anywhere from 0% federal poverty level up to 150%. Children can be eligible for Medicaid depending on their age up to 133% of poverty and there are resource and asset tests for Medicaid. If a family is at 95% of the federal poverty level, they won't qualify for Medicaid. **CHIP** does not have an asset test, so that family could qualify for **CHIP** if they meet all the other eligibility requirements. The department did an evaluation of the families on **CHIP**, and the average income for the approximately 5000 families is 98% of the federal poverty level.

SEN. BALES asked if people apply that are lower income than those on the program, how that is handled.

Ms. Noel advised they don't do that kind of screening right now because income levels in Montana compared to other states are very low. Most of those being insured are between 133% and 150% for younger kids and for the older kids between 100% and 150%.

There are lower income families, but because the department doesn't have a long waiting list, applications come in fairly consistently and no outreach is currently being done, they don't give preference to the very low income families.

SEN. BALES asked if anybody that comes in now at 150% of poverty is accepted as their time slot comes up.

Ms. Noel stated that was correct.

Closing by Sponsor:

SEN. MCCARTHY closed on the bill. She referred to the blue map showing children being served in different counties. The bill is based on money becoming available from different sources. She asked the bill be kept alive through the process and asserted this is preventive care and will save money in hospitals and emergency rooms. She agreed they all had concerns about spending money.

{Tape: 2; Side: B}

CHAIRMAN ZOOK discussed committee business and adjourned.

ADJOURNMENT

Adjournment: 6:30 P.M.

SEN. TOM ZOOK, Chairman

PRUDENCE GILDROY, Secretary

TZ/PG

EXHIBIT (fcs29aad)